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# UKRAINE PUBLIC PRIVATE PARTNERSHIP DEVELOPMENT PROGRAM (P3DP)

**ANNUAL REPORT FOR YEAR 1**

**SEPTEMBER 30, 2010–SEPTEMBER 30, 2011**

**USAID Cooperative Agreement # AID-121-A-00-10-00708**

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## **Ukraine Public Private Partnership Development Program (P3DP)**

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<sup>1</sup> FHI Development 360 LLC (FHI 360) is the successor organization (as of July 1, 2011) to AED, the original Cooperative Agreement partner with USAID.

## **i. Executive Summary**

In accordance with reporting requirements found on Page 8 of 40 of the Cooperative Agreement #AID-121-A-00-10-00708, FHI 360<sup>2</sup> is pleased to provide this Progress Report, titled Annual Report for Year 1, of the Public Private Partnership Development Program (P3DP). The annual reporting guidelines in the Cooperative Agreement include seven specific areas of interest which will be grouped and presented in four Sections of this Annual Report for Year 1.

The seven areas of interest per the Cooperative Agreement (CA) are: (1) indicator data tabulation, (2) delineation of progress achieved towards benchmarks, (3) highlights of tangible results and achievements, (4) identification of any problems encountered in implementation and any proposed remedial actions as may be appropriate, (5) data measurements reflecting the Performance Monitoring and Evaluation Plan (PMEP), (6) progress against work plan projections, and (7) the addressing of activities completed during the preceding fiscal year.

As noted, the above areas are grouped into the following four Sections in this report:

Section 1 – Activities, achievements and results - areas (3) and (7)

Section 2 – Progress against plans – areas (2) and (6)

Section 3 – PMEP performance and budgetary statistics – areas (1) and (5)

Section 4 – Problems and proposed remedial actions

Serving as both the summary report for Year 1 and the report covering the fourth quarter of the year, this Annual Report will provide additional details for Y1Q4, particularly in the included attachments.

In summary, activities during the first three quarters of P3DP were significantly limited by the prolonged delay of securing program registration/accreditation from the Government of Ukraine (GOU), Ministry of Economic Development and Trade (MOEDT) – both primary P3DP counterpart entity and registration/accreditation entity for all such donor-funded initiatives. With accreditation not being granted until April (the first month of the third quarter of program Year 1), the first six months of program activities were initiated under a USAID-suggested “minimal exposure” mode. However, during this time, program leadership was able to identify and secure most of the local staff, and locate suitable long-term office space. Further, using the CA and initial proposal as bases for program design and implementation, the initial P3DP staff members and retained consultants were able to finalize the draft Work Plan for Year 1 and to engage in discussions with potential local Implementing and Resource Partners.

Beginning in Year 1, Quarter 3 (Y1Q3), legal approval (ultimately via accreditation) to function as a donor program in Ukraine allowed P3DP to employ local staff, deliver direct assistance and engage in developing formal relationships with GOU entities, including Ministries, Agencies and Administrative Units. USAID approved the following key management positions: Larry Hearn, DCOP and Director of Professional Services; Tatiana Korotka, Manager of GOU Development Services (“key personnel”); and, Ruslan Kundryk, Manager of Legal Affairs (“key personnel”). Completing the P3DP Professional Services Group were Olena Maslyukivska, Manager of Awareness and Capacity Development and Valeriy Dobrovol'skiy, Manager of Transaction Services. Further, USAID concurred with P3DP's selection methodology and the resulting identification of 6 cities and projects as “high-potential” prospects<sup>3</sup> to be PPP pilot projects. P3DP reached general agreement with both USAID and MOEDT on the program's “Activities Schedule”, thus setting the stage for formal approval of P3DP's Work Plan for Year 1 and the associated PMP within the quarter following Program accreditation.

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<sup>2</sup> FHI Development 360 LLC (FHI 360) is the successor organization (as of July 1, 2011) to AED, the original Cooperative Agreement partner with USAID.

<sup>3</sup> The 6 initial cities selected as high-potential prospects are: Lviv city parking management, Zhytomyr waste sorting and recycling plant, Voznesensk waste sorting and recycling plant, Evpatoria sport facilities, Poltava district heating, and Trostyanets waste sorting and recycling plant

The end of Y1Q3 marked the end of Academy for Educational Development (AED) as the implementer of the USAID-funded P3DP CA. Gregory Niblett, President & CEO of AED made the initial public announcement on June 8, 2011, that AED's Board of Directors chose Family Health International (FHI) to acquire substantially all of AED's assets. The CA for P3DP, along with most of AED's other contracts and awards, was novated to an FHI subsidiary, FHI Development 360 LLC (FHI 360), effective July 1, 2011. During the suspension and acquisition process, there were several shifts in staffing at AED headquarters resulting in changes to home office management. However, in June, Mr. Jason Czyz was made the permanent home office Project Director; and he is an infrastructure attorney and a Russian-speaker.

There were also several important changes at the MOEDT. Unresolved and pending GOU ministerial reorganizations caused an air of caution across many governmental entities for a significant portion of Year 1. Mr. Maksiuta, First Deputy Minister of MOEDT, who was the "lead" GOU counterpart for P3DP, was reassigned to other duties; and by presidential decree on June 30, 2011, Mr. Volodymyr Pavlenka was appointed in the vacated position of Mr. Maksiuta. It is not known the degree to which Mr. Pavlenka has been briefed about P3DP, nor is it known the degree of knowledge or interest he has in the area of PPPs. Additionally, Mr. Vadim Kopilov was appointed as actual organizational supervisor over the head of the MOEDT department with which P3DP had been working. Though formally requested, no formal meetings have occurred with Mr. Kopilov as of the end of this reporting period<sup>4</sup>.

Two Presidential Decrees were released (#583/2011 and #634/2011) addressing apparent shifts in certain PPP responsibilities between MOEDT and "The State Investment and National Projects Management Agency" (National Projects Agency or NPA). Although the full implications of these pronouncements remain unclear, the opinions of many Ukrainian leaders are that these decrees effectively transfer certain areas of PPP responsibilities to the National Projects Agency, thus reducing the MOEDT's previously-assumed span of influence in regulating, monitoring and implementing PPP transactions in Ukraine. The NPA has formally requested becoming a Beneficiary and Recipient of P3DP, via its letter of August 30, 2011, from Mr. Kaskiv, head of the NPA. This letter has been included in the submission by FHI 360 via USAID to MOEDT to amend the current registration/accreditation documentation supporting P3DP.

As with NPA, P3DP developed a relationship with both the Ministry of Economic Development and Trade of the Autonomous Republic of Crimea (ARC) and the ARC Regional Development Agency, leading to the drafting of a Memorandum of Understanding (MOU) with the ARC Council of Ministers, slated to be executed at the Black Sea Economic Forum in Yalta in early October 2011.

Another key relationship, which was developed and strengthened throughout Year 1, is with the Verkhovna Rada (VR) Entrepreneurship Committee, under the leadership of Ms. Natalia Korolevska, and its related Public Private Partnership (PPP) Working Group in which two of P3DP's Technical Managers have become participants at the invitation of Ms. Korolevska<sup>5</sup>.

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<sup>4</sup> On the GOU website, it is noted that three other Deputy Ministers of MOEDT (Valeriy Piatnizkiy – previously responsible for EU integration and International Technical Assistance coordination; Iryna Kryuchkova -previously responsible for Macroeconomic aspects, GDP, Socio-economic Development Program of Ukraine, etc.; and Vasil Marmazov - previously responsible for issues not relevant to P3DP) have been relieved of their previous duties as of July 15, 2011, as part of the overall implementation of previously announced staff restructuring under the recent GOU administrative reform implementation. Additionally, it has become unofficially known that other former MOEDT persons with whom P3DP interfaced have been re-assigned under the continuing reorganization efforts, including the combining of certain previously separate departments under the new leadership of Mr. Oleg Gnatsov and his deputy Mr. Pavlo Pakholko.

<sup>5</sup> Further, this VR PPP Working Group will be a cosponsor of the P3DP-initiated PPP Conference to be held on October 20, 2011.

Programmatic highlights for the latter part of Year 1 include (a) the subcontracting with Gide Loyrette Nouel (GLN), an internationally recognized legal firm based in Paris, France, with an office in Kiev, to conduct a diagnostic of the PPP legal environment in Ukraine; and (b) after extensive visits to multiple cities throughout Ukraine, the recommending to USAID of 6 high-potential cities as potential partners in PPP pilot projects. By achieving high-potential status, these cities are targets for capacity development and other PPP project-related support. The draft GLN report is slated to be formally presented to both USAID and GOU representatives in early October, 2011, with a subsequent public release at the P3DP-initiated PPP Conference on October 20, 2011, in Kyiv. The initial USAID-accepted 6 PPP pilot projects have now been joined by 7 additionally identified high-potential projects – clearly meeting the Year 1 target of identifying at least two PPP pilot projects with which P3DP will engage to develop further as real-world examples of PPP initiatives being considered under the Ukrainian PPP environment.

To further expose Ukrainian leaders to international practices in the PPP arena, P3DP organized two study tours in Y1 for Ukrainian national level participants to obtain perspectives from PPP Unit functional operations within the East European region. The first study tour to Zagreb, Croatia in late June included 12 Ukrainian governmental officials involved in PPP development in Ukraine. In Croatia, the group was hosted by the Croatian Agency for Public-Private Partnerships (APPP). The second study tour was for a similar number of GOU-recommended officials to St. Petersburg in July-August. The follow-up for these tours is a planned workshop in Y2Q1 in which discussions among the participants of observations, lessons learned and collective suggestions will be aggregated as to practices, processes, procedures and functional responsibilities that may best be suggested for the Ukrainian context.

Administratively, P3DP continued to support the home office in pursuit of critical sub-agreement development with its identified Implementing Partners:

1. Ukrainian Public Private Partnerships Development Support Center (PPPDSC)
2. Institute for Budgetary and Socio-Economic Research (IBSER)
3. Kyiv Economic Institute (KEI)
4. Association of Ukrainian Cities and Communities (AUC)
5. East Europe Foundation (EEF)

Expectations are that these sub-agreements will be executed in early Y2Q1<sup>6</sup>. Also, the P3DP staff responded to both expected typical and certain ad hoc requests of USAID throughout the year.

## **Section 1 – Activities, Achievements and Results**

P3DP activities during the early part of Y1 and continuing into its fourth quarter focused on mobilization, research, relationship-building, assessments and further definition of scopes of work with Implementing Partners and for Resource Partners. Working with the planned counterpart of MOEDT included comportsing of the MOEDT Action Plan with the P3DP Activities Schedule, and the production of several specific deliverables noted below. Of particular value are the important foundational relationships which have emerged beyond those contemplated in the CA: namely, those with the Verkhovna Rada; the National Projects Agency; the Autonomous Republic of Crimea; and the Ministry of Regional Development, Construction and Housing Services (MRDCHS). P3DP representatives have achieved very positive acceptance with both individuals and sub-groups associated with each of these new counterparts, including representing the Program via formal memberships on various working groups under these entities. These relationships and activity contributions by P3DP have resulted in the following:

- a. Development of a PPP “Idea Form” for the MOEDT
- b. Development of an “Application for State Aid” for the MOEDT

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<sup>6</sup> The KEI sub-agreement was executed on October 3, 2011, and the draft sub-agreement documents were distributed to both EEF and AUC on October 14, 2011. A sub-agreement discussion was held with PPPDSC on October 15, 2011, resulting with a series of next steps being identified for closure.

- c. Provision of an outline for general “PPP Guidelines” for the MOEDT
- d. Contributions to review amendments to various laws for the VR Committee, via its PPP Working Group
- e. Contributions to review of legal framework for solid Waste Working Group of the MRDCHS
- f. Drafting of an MOU with the Council of Ministers of ARC (to be executed in early Y2Q1)
- g. Agreement for co-sponsoring the Y2Q1 P3DP PPP Conference by both the VR PPP Working Group and the MOEDT

Additional results accrued from P3DP’s extensive investigation of potential PPP pilot projects in dozens of municipalities across Ukraine. In Y1, P3DP staff recommended to and received concurrence from USAID for 6 high-potential cities as possible partners in PPP pilot projects. By achieving high-potential status, these cities are targets for capacity development and other PPP project-related support. By the end of Y1, these initial 6 projects were increased to a total of 13 projects, not counting the 10 potential PPP pilot project possibilities being investigated in ARC. Data collection through formal municipality-based working groups and other means resulted in robust Project Identification Briefs (PIBs) being prepared for the 2 high-potential PPP pilot projects in Lviv and Poltava.

These PIB documents display in a common-format manner a broad cross-section of information about a potential initiative so that further steps may be identified and decisions made as to how or whether to proceed to further develop a potential PPP pilot project. There is no “right answer” or quantitative assessments that can totally dictate the “go / no-go” decision, as this has to be made using both objective and subjective information. The populating of a PIB for a given PPP pilot project is the critical initial endeavor in the Lifeline of a project.

During Y1Q4, a graphical representation of known activities (defined by both good practice and the current Ukrainian PPP Law) to be pursued from “idea” to “implementation” was created. This PPP Pilot Project Lifeline (see Attachment **d** to this Annual Report for Year 1) has resulted in its becoming an invaluable tool for focusing discussions with others from municipal to GOU levels, as a greater appreciation for the complexity and inter-relatedness of the activities and potential parties to the development of a PPP project are understood.

Guidance for certain P3DP activities for Y2 and beyond results from the Y1 initiative to assess the legal and regulatory framework of Ukraine under which PPP pilot project efforts must proceed. This assessment (and its accompanying prioritized recommendations) was performed under a P3DP subcontract by the distinguished law firm of Gide Loyrette Nouel (GLN or Gide), headquartered in Paris, France, with offices in 15 countries, including Kyiv. In early Y2Q1, presentations of the results of the Gide assessment and the draft report will be shared with USAID, MOEDT and other GOU representatives, prior to report finalization and release to the public in the planned PPP Conference scheduled for October 20, 2011.

It is from the GLN report’s “roadmap” of prioritized recommendations that P3DP will determine many of its subsequent activities to both contend with and help the GOU to modify the framework under which PPPs are to be developed in Ukraine. It is noted that there is significant interest in both the public and private sectors in the potential benefits that sound PPP initiatives might bring to Ukraine; however, the unclear and often conflicting legal and regulatory environments under which this mechanism is currently to be developed has produced a perception of high risk, and thus little to no engagement by the public sector, the private sector or financial institutions.

During Y1Q3 and Y1Q4, P3DP organized two study tours for Ukrainian national level participants to obtain perspectives of PPP Unit operations within the Region. The first study tour to Zagreb, Croatia, held June 26-29, 2011, included 12 Ukrainian governmental officials involved in PPP development in Ukraine. In Croatia, the group was hosted by the Croatian Agency for Public-Private Partnerships (APPP). The second study tour, held in Y1Q4, was to St. Petersburg, Russia from July 31 to August 3, 2011 (see Attachment **b** to this Annual Report for Year 1). These two sites offered different designs of

government-supported PPP functions for observation, as Zagreb combines essentially all PPP policy, strategy, regulation, promotion and development in one entity; whereas, St. Petersburg has split the PPP policy, strategy and regulation functions in one entity, with the promotion and development functions in another entity. In Y2Q1, P3DP will hold a workshop, with participants comprised of study tour attendees and others, to further extract observations and opinions of key leaders that will inform the bases of additional P3DP recommendations to GOU regarding the design and location of its envisioned PPP functions, roles and responsibilities.

Other notable administrative and programmatic activities pursued and achieved during Y1Q4 operations included the following:

Date	Activity
June 29 – July 2, 2011	P3DP Participates in the 7 <sup>th</sup> annual, AUC-sponsored Ukrainian Municipal Forum in Ilchevsk
July 1, 2011	FHI Development 360 LLC (FHI 360) becomes the successor organization to AED
July 8, 2011	P3DP presents rationale and results of selection of 6 high-potential PPP pilot projects to MOEDT out-going First Deputy Minister and departmental staff
Week of July 11, 2011	Representatives of GLN engage 12 local entities in briefing discussions in preparation for its diagnostic review of the PPP legal and regulatory environment in Ukraine
Week of July 11, 2011	Natalia Korolevska informally invites P3DP representatives to become members of the PPP Working Group of the VR Committee on Entrepreneurship
July 14, 2011	P3DP provides MOEDT with an outline of the requested PPP Guidelines document
July 27, 2011	Scheduled participants for the Study Tour to St. Petersburg are hosted by P3DP at a pre-departure conference
July 31, 2011	Participants depart Kyiv for the Study Tour to St. Petersburg, returning August 3, 2011
May 25, 2011	Confirmation from USAID re inclusion of the draft MOEDT Action Plan items in the pending update of the P3DP Work Plan for Year 1
Week of August 1, 2011	COP Pieper meets with PPP specialist in Rome, Italy while awaiting the Ukrainian embassy's issuance of his C-1
August 8, 2011	Natalia Logvinova joined the P3DP staff and Finance Manager and is supported for two weeks by Sabrina Van Savage coming to Kyiv from the home office to assist with the transition
Week of August 8, 2011	Natalia Korolevska formally invites P3DP representatives to become members of the PPP Working Group
Week of August 15, 2011	P3DP sends letter of introduction to Mr. Vadim Kopilov, Deputy Minister replacing Mr. Maksiuta
Week of August 15, 2011	P3DP completes an ad hoc request from USAID regarding Y1 communications between MOEDT and P3DP
August 22, 2011	Executed MOU with the National Projects Agency regarding future technical assistance provision
Week of September 9, 2011	P3DP meets with the Poltava Working Group regarding the implementation of the PPP pilot project in district heating
Week of September 9, 2011	P3DP meets with representatives of the MRDCHS regarding serving in the Legislation Development Working Group and other support to the Ministry
Week of September 12, 2011	P3DP receives CA Modification #2 resulting in a total obligated funding amount of \$6,116,902, approximately one-half of the total CA amount
Throughout Y1Q4	Consultations in additional potential PPP pilot project cities in Ukraine and the Autonomous Republic of Crimea

As noted in the above text and table, P3DP's activities in previous quarters have resulted in sound progress in the field in Y1Q4 with both counterpart personnel and potential PPP pilot project initiatives (see Attachment a to this Annual Report for Year 1 for photos and captions related to P3DP activities in Y1Q4). However, essentially for the months of August and September 2011, MOEDT representatives disengaged from all contact with P3DP while awaiting resolution of ministerial reorganization. Further progress is expected to accelerate when Implementing Partner resources become available to augment the P3DP staff contributions in early Y2Q1.<sup>7</sup>

## **2. Progress Against Plans**

The broad plans for P3DP activities in Y1 included mobilization and staffing, registration and accreditation, fiscal and physical support services, planning and execution of programmatic elements, counterpart and local partner relationship development, initial identification of PPP awareness and capacity levels, and identification of high-potential PPP pilot projects. Taking each broad area in turn, progress in Y1 is noted below.

***Mobilization and staffing*** - The Chief of Party (COP), Alan Pieper, was employed by AED in early October 2010 and arrived in Kyiv by month's end to direct project activities. The initial local project staff of 3 persons was acquired in early Y1Q1 under consultancy agreements, awaiting the registration and accreditation of the P3DP by the MOEDT. Expat consultants Larry Hearn and Chris Shugart were contracted to assist with project start up activities and conduct an initial evaluation of the PPP environment in Ukraine in Y1Q1. Temporary office space, furnishings and equipment were acquired under contract with the Agrarian Market Development Institute (AMDI), a local NGO.

***Registration and accreditation*** - With support from the home office, within the first weeks of mobilization, P3DP filed all necessary documents to secure its registration and accreditation through USAID to MOEDT. The receipt of these credentials is required before the Program could directly hire local employees, open a bank account, etc. Awaiting approvals, P3DP began its initial investigations of permanent staff, banking options, location and equipping of a permanent office space, meetings with potential Implementing and Resource Partners, and preliminary meetings with MOEDT leadership. These nascent activities were "under the radar" per suggestion from USAID, as the Program would not be an official entity in Ukraine until receipt of its registration and accreditation approvals. Unfortunately, the registration was not fully processed by MOEDT until March 12, 2011, with accreditation following a month later on April 13, 2011 – the beginning of Y1Q3.

***Fiscal and physical support services*** - Banking services were investigated at several local institutions with the help of home office and local start-up staff, and all related requirements were identified and pursued, but held in abeyance, awaiting registration/accreditation. Over 10 potential permanent office locations were assessed, and several were identified for a "short list" with an initial selection failing due to contracting issues with the owner. The final location identified had not been part of the initial set of alternatives available, but resulted in by far the best combination of facilities and costs, being at 44 Khreschatyk, 3<sup>rd</sup> Floor. The lease was signed in Y1Q2, with occupation in Y1Q3 on April 11, 2011. Subsequently, communications, IT and other office equipment was acquired, resulting in the office facilities and equipment essentially being fully functional by Y1Q4. Transportation support for Program personnel was initially temporarily secured under contract with a local private party. Subsequently a vehicle was leased and a driver hired; however, long-term transportation equipment provision has not been finalized due to various regulation issues under discussions with USAID.

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<sup>7</sup> The KEI sub-agreement was executed on October 3, 2011, and the draft sub-agreement documents were distributed to both EEF and AUC on October 14, 2011. The AUC agreement was signed on October 20, 2011 and P3DP is awaiting revisions from EEF. A sub-agreement discussion was held with PPPDSC on October 15, 2011, resulting with a series of next steps being identified for closure.

***Planning and execution of programmatic elements*** – Initial work plan concepts and documentation incorporated in the proposal and ultimately the CA, provided guidance to the more detailed development of work plans and the assignment of tasks, both for the permanent staff and for contemplated local partner organizations. A conceptual design of the inter-relationships of Program resources was captured in a “MindMap” which served as the basis for subsequent discussions and decisions related to the assignment of programmatic elements. The initial draft of the Work Plan for Year 1 was completed and submitted to USAID on November 30, 2010, per CA requirements. The development of this plan evolved from requirements noted in the CA, discussions with USAID and potential counterpart and partner entities and personnel, development and review of the Performance Monitoring and Evaluation Plan, and inputs from the home office, long-term and short-term professionals.

As any endeavor, the pursuit of common goals under P3DP’s CA requires a common understand of the goals, which concomitantly requires the common understanding of “terms of art” in the work place. This commonality requirement is also the basis for certain of the awareness and capacity development elements under Objective 3, as initial interviews across a broad cross-section of private and public representatives in Ukraine revealed not only a substantial lack of awareness and understanding of PPPs in general, but also a diverse, and sometimes contradictory, use of terminologies. To begin to address the importance of this issue, P3DP embarked on two “definitional” tracks: what is a public private partnership as far as P3DP activities are concerned, and what are the definitions of terms that P3DP will use related to its activities.

The definition of PPP, as to be used under P3DP, was presented at the first “public” presentation of P3DP at the USAID Partners meeting held on December 13, 2010. Further, beginning with its first Quarterly Report the following month (January 2011), P3DP included the evolving list of terms/definitions, which are under use with P3DP and its partners as follows:

- a. **“Public-Private Partnerships”** for purposes of P3DP - Public-Private Partnerships occur when public sector entities and private sector entities enter into long-term, comprehensive contractual arrangements for either (a) the development of public infrastructure and its on-going related public services or (b) the delivery of social services; and for the transfer of significant risks and provision for performance rewards to the private sector entities. This term will be abbreviated “PPP” in oral and written communications.
- b. **“Program”** to be used when referring to P3DP – to attempt to avoid confusion when using a short-form referral to P3DP, the word “program” [rather than “project”] will be used in oral and written statements.
- c. **“Project”** to be used when referring to a PPP project (contemplated or actual) – similar to the above reason, the word “project” will be used in oral and written statements when referring to an initiative which may become or is a PPP project.
- d. **“Implementing Partner”** – with reference to the P3DP MindMap, a P3DP “Implementing Partner” is an entity with which P3DP will have a standing formal scope of work defined that will directly contribute to the integrated execution of CA initiatives. This relationship is characterized by a mutual, long-term commitment between P3DP and the entity.
- e. **“Resource Partner”** – with reference to the P3DP MindMap, a P3DP “Resource Partner” is an entity with which P3DP may/will call upon from time to time for targeted execution of some service or development of one or more deliverables. This relationship is characterized by a short-term contract [purchase] between P3DP and the entity.
- f. **“MOEDT Action Plan”** – the ever-evolving, annually updated tabulation of MOEDT’s PPP activities. Many of these activities will be reflected in the Activities Schedule of P3DP as it is intended to provide technical assistance to MOEDT in various ways.
- g. **“Strategy Implementation Plan”** – the document embodying the long-term implementation initiatives of the GOU in the broad arena of PPP development. This document was previously referred to as the “PPP Action Plan” in the P3DP CA with USAID.

- h. **“PPP Pilot Project Lifeline”** – the series of stages/steps and interventions a project encounters from concept to a point of actual on-the-ground delivery of contracted services under an executed PPP contract. The Lifeline model is divided into four stages through which project initiatives will pass: Conception/Definition; Assessment/Design; Tendering /Contracting; and Operations/Monitoring.

The Work Plan for Year 1 was the subject of multiple exchanges among USAID, P3DP and MOEDT, as resolution of MOEDT issues eluded the parties until late in Y1. Though originally submitted on November 30, 2010, the acceptance of the P3DP Work Plan for Year 1, as revised on August 18, 2011, was finally approved by USAID on August 23, 2011. This Work Plan for Year 1 submittal included an accompanying updated budget and the Program Monitoring Plan. Efforts to draft the Work Plan for Year 2 resulted in a draft of it being submitted to USAID per its concurrence on September 23, 2011, with outstanding “action plan” issues to be confirmed with MOEDT, NPA and the MOEDT ARC as planning emerges in Y2Q1.

During Y1Q4, two main activities of importance to the longer term delivery of technical assistance to the GOU occurred: the second of two planned Y1 study tours and the continuation of development and review of the Gide diagnostic report on the legal and regulatory framework in Ukraine. The study tour took place from July 31 – August 3, 2011, to St. Petersburg, Russia. As with other Quarterly Reports, the study tour report for St. Petersburg is similarly provided as Attachment **b** to this Annual Report for Year 1. The Gide draft report was reviewed by the P3DP staff and comments were included in the substance and format of the final draft and the development of presentation documentation for delivery to USAID and GOU representatives in early Y2Q1. Due to its size, the draft report has not been included with this Annual Report for Year 1, but will be available in its final published form in both English and Ukrainian in early Y2Q1. In addition, P3DP will be following up on the report’s recommendations and tailoring several of its activities to confronting challenges related to the PPP legal environment in Ukraine.

***Counterpart and local partner relationship development*** – The primary GOU counterpart entity for P3DP was identified in the CA and is now the Ministry of Economic Development and Trade. As both P3DP’s counterpart and registration/accreditation entity, P3DP was limited in how it could engage MOEDT, and initial efforts were focused at a high level, awaiting P3DP’s official status as an entity in Ukraine. An MOU with MOEDT, with an associated annex, was ultimately executed on March 11, 2011. The annex subsequently became the basis of what is now known as the MOEDT Action Plan (see definition above) – which is continually evolving to capture the expectations of MOEDT and P3DP. Similarly, “action plans” developed with other major counterparts will define expectations of technical assistance as well. Elements of the MOEDT Action Plan were embedded in the P3DP Work Plan for Year 1, after several discussions between P3DP and MOEDT representatives.

In various March 2011 communications with MOEDT there appeared to be considerable uncertainty on its part as to its long-term role, particularly vis-à-vis the PPP Unit, the formal location/lineage of which was not finalized. This finalization apparently was contingent on the GOU’s deployment of its larger ministerial realignment, which remains underway at the end of Y1. On March 22, 2011, USAID and P3DP met to discuss potential impacts that the emerging, apparently-conflicting GOU entity responsibilities might have on P3DP work plan development and collaboration with recipients/beneficiaries in Ukraine. Several additional informal discussions among the parties culminated in a meeting among USAID, MOEDT and P3DP representatives on March 30, 2011, at which P3DP was allowed by USAID to share its draft Work Plan for Year 1 with MOEDT in the form of an excerpt of the bulk of the document which had been highlighted in a way to illustrate that the initial MOEDT Action Plan items had been included.

Additional emerging issues re-defining GOU-designated PPP responsibilities came to light during Y1Q3 through the issuance of Presidential Decree #583/2011 on May 12, 2011 defining certain PPP roles for the NPA, and Presidential Decree #634/2011 on May 31, 2011, further defining certain PPP roles for the

MOEDT. Neither organization appears to have a clearly defined mandate – particularly with regard to whatever boundary definition there may be between the roles and responsibilities of these two GOU entities. P3DP continued to build understanding and working relationships with NPA management, including the initial drafting and vetting of an MOU, similarly styled<sup>8</sup> to the MOU previously executed with MOEDT. At a minimum, it is expected that P3DP will deploy resources in support of the contemplated NPA “PPP Coordination Center,” and it is hoped that P3DP will benefit from access to the several Oblast office resources as offered by NPA management. Further, the exploration by P3DP of potential PPP pilot projects in ARC resulted in P3DP’s establishing sound working relationships with representatives of the ARC Regional Development Agency and the MOEDT of ARC, which has resulted in the drafting of an MOU in Y1Q4 that is to be executed between the Council of Ministries of ARC and P3DP at the Black Sea Economic Forum to be held in Yalta, October 7-8, 2011.

Also during Y1Q2, representatives of P3DP and the VR PPP Working Group met to discuss, and ultimately confirm, the degree of involvement P3DP would have with the efforts of this group. In Y1Q4, representatives of P3DP and MRDCHS met with similar intentions and results. As standing official members of these and other working groups, P3DP has extended its influence with and delivery of technical assistance to multiple GOU entities as of the end of Y1.

Parallel with the activities to further define its GOU partners, P3DP explored initially suggested local institutions for the potential of provision of technical assistance under the CA. After extensive interviews, the following Implementing Partners were identified as candidates to provide supporting resources:

1. Ukrainian Public-Private Partnership Development Support Center (PPPDSC)
2. Association of Ukrainian Cities and Communities (AUC)
3. Institute for Budgetary and Socio-Economic Research (IBSER)
4. East Europe Foundation (EEF)
5. Agrarian Markets Development Institute (AMDI)
6. Kyiv Economic Institute (KEI)

In Y1Q2, MOUs were negotiated and signed with each of the 6 potential P3DP partners noted above and follow-on communications began to define documentation and budget information needed to support the issuance of sub-agreements. Negotiations with potential Implementing Partners continued through Y1Q3 and Y1Q4, with expectations that all applicable documents will be executed in early Y2Q1.

***Initial identification of PPP awareness and capacity levels*** – Though P3DP accreditation was not received until April 13, 2011, significant pre-planning and staging efforts continued with available short-term consultants and local contract consultants (acting as staff until their shifting to long-term program employee status beginning in early May). Initial visits to cities with potential PPP pilot project concepts by Valeriy Dobrovolskiy and Olena Maslyukivska were sometimes accompanied by PPP Expert Consultant Chris Shugart. The awareness and capacity levels of municipal leadership and staff were preliminarily assessed, not only for the potential design of technical assistance under Objective 3, but also in light of informing the development of the PIBs (see “high-potential PPP pilot projects” text following) needed in preparation for transaction support activities under Objective 4. With some level of restraint imposed by USAID, P3DP began assessing its named counterpart entity (MOEDT) and its designated employee representatives. Again, this initial assessment included two broad goals: one toward building relationships as mentioned previously, and a second toward assessing the level of PPP awareness and capacity at GOU institutions that may become targets of Objective 3 technical assistance.

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<sup>8</sup> The “style” of an MOU to be executed between a USAID project implementer and its counterpart was prescribed by USAID, with unique technical information to be added by the implementer to more definitively represent the appropriate envisioned relationships.

In Y1Q4, information from efforts in previous quarters was used as the basis for the design of a generic two-year “training plan” with supporting “awareness campaign” components. This plan encompasses awareness and capacity development for P3DP’s formal and informal counterpart institutions as well as representatives from the 10 ultimate municipalities in which P3DP expects to foster the development of PPP pilot projects.

Begun in late Y1Q4 were nascent efforts to coordinate the design of certain P3DP training products in such ways as to conform to “educational requirements” in Ukraine, thus making certain of the training topics (in addition to the documentation to be left with legacy institutions which can provide such training in the future) being available in modules acceptable for accreditation under Ukrainian regulations for “official courses” at academies and other institutions of higher learning issuing diplomas or degrees. Further work is needed to confirm this possibility in the first two quarters of Y2.

Initial definition of assistance for Implementing Partner KEI included the design and implementation of a baseline survey across at least 10 Ukrainian cities to assess the levels of awareness in public and private parties regarding PPPs. It is expected that this survey will be implemented in early Y2Q1, as the subcontractor for this work has already been approved by USAID, per CA requirements. This survey will be repeated near the end of the Program to reveal by proxy the level of overall impact that P3DP has had on the PPP environment in Ukraine.

***Identification of high-potential PPP pilot projects*** – As previously noted, available international short-term consultants and local contract consultants were the primary resources available during Y1Q1 and Y1Q2, with permanent local and the additional expat staff not formally available until mid-Y1Q3. However, efforts in Y1Q2 and Y1Q3 by those available resources produced a list of 22 initially-vetted potential PPP pilot projects that were the subject of a formal presentation at USAID on May 31, 2011. P3DP recommended that 6 of these 22 projects be accepted by USAID for further review and development, and that recommendation was accepted by USAID, including the selection criteria under which the determination was made as to which projects/cities made the cut to the recommended short list.

Subsequently, in total, some 50 potential cities/projects have received some level of scrutiny which has resulted in an expansion of the list of the original 6 to 13 (see Attachment f for P3DP PPP Potential Pilot Cities), with an additional 10 projects in ARC continuing under review. P3DP has postulated that some 15-20 projects must be identified in order to result in the CA-targeted 10 PPP pilot projects. It is expected that as awareness (and comfort) levels increase with municipal and private sector parties, additional high-potential PPP pilot projects will come to the attention of P3DP (see Attachment e for Potential PPP Pilot Projects Pipeline).

PIBs for high-potential projects are continually updated with data so as to inform decision-makers regarding the viability of the PPP pilot project being contemplated. At present, two city/project combinations have sufficient PIB documentation warranting further pursuit along the projects’ Lifeline: Poltava’s district heating concept and Lviv’s parking management concept. In conjunction with MOUs that have been executed, Working Groups have been established with P3DP and municipality representatives to assure that timely pursuit of subsequent elements of the project Lifeline are undertaken. P3DP envisions that at least 5 of the targeted 10 PPP pilot projects will be formally identified in Y2, with the remainder in early Y3.

### **3. PMEP Performance and Budgetary Statistics**

***PMEP Performance*** – The Performance Monitoring and Evaluation Plan (PMEP) includes two parts: the monitoring of data selected to be reflective of the impacts of program interventions within the PPP environment as defined under the CA and the subsequent evaluation of these and other data to assess the efficacy of program interventions. The monitoring function is reflected in the P3DP Program Monitoring Plan (PMP) which is Attachment f to this Annual Report for Year 1. The actual data

available for each Program Objective indicator (POI) and for each Data Collection (DC) entry for Year 1 are included under the column header “2011 Actual.” Since the Program in essence began its formal substantive operations in Y1Q3, one might expect that actual performance might be “about half” of expectations; however, there are peculiarities attributable to activities under each Objective, and this logic does not strictly apply.

Significant results were achieved under most all POIs for Objectives 1, 2 and 4, with those of Objective 3 (predominantly a task driven service providing Objective that is responsive to needs developed as other parties are identified) being delayed due to lack of target recipient definition from other Objectives and counterpart entities. The following table depicts the monitoring summary for the 25 P3DP POIs for Y1 by Objective.

<b>POI Result</b>	<b>Total</b>	<b>Objective 1</b>	<b>Objective 2</b>	<b>Objective 3</b>	<b>Objective 4</b>
Yet to be defined	1	1	0	0	0
Met or exceeded target	12	2	6	0	4
Fell short of target	12	1	1	7	3
Subtotal of the total of 25	25	4	7	7	7

Review of the data in Attachment f reveals that in spite of a delayed start-up, P3DP achieved significant goals in the important areas of its involvement in GOU PPP environmental change activities (Objectives 1 and 2) and in identifying high-potential PPP pilot projects (Objective 4), while significant preparatory work was achieved under Objective 3 that allowed the development of a two-year training plan, based on field observations and peer consultations.

**Budgetary Statistics** – The preliminary financial data for Y1 through September 29, 2011, are found in the following table. The line items are those as approved in the CA and do not reflect the updated budget submitted with the Work Plan for Year 2 in September 2011.

	<b>Total Approved Project Budget</b>	<b>Total Project To Date Expenses 09/29/11</b>	<b>Budget Remaining</b>	<b>Percent of Budget Spent</b>
Salaries & Wages	3,625,280	382,849.25	3,242,431	11%
Fringe Benefits	590,790	107,275.96	483,514	18%
Travel	479,179	175,950.18	303,229	37%
Other Direct Costs	2,451,730	169,783.82	2,281,946	7%
Indirect Costs	2,536,725	361,992.22	2,174,733	14%
Equipment <sup>9</sup>	5,000	18,464.70	(13,465)	369%
Contractual	2,811,296	187,076.50	2,624,220	7%
<b>Total Project</b>	<b>\$ 12,500,000</b>	<b>\$ 1,403,393</b>	<b>\$ 11,096,607</b>	<b>11%</b>

It is expected that a formal request for CA modification and budget realignment will be forth-coming in Y2.

<sup>9</sup> The equipment costs were underestimated in the proposal budget but are in line with the needs of an office the size of P3DP.

#### 4. Challenges and Proposed Remedial Actions

The title of this section implies a viewpoint that looks forward, based on the current conditions which may be burdened by perceived or actual problems; however, the reader will have noted that the prior text in this Annual Report for Year 1 included the numeration of several issues which impacted the Program. An illustrative, but not exhaustive list of these issues includes: delays in registration and accreditation followed by precipitated engagement restraints and delays in hiring and fiscal arrangements; changes within the GOU affecting the MOEDT; changes at headquarters related to AED's suspension and the organization's acquisition by FHI 360; Presidential decrees further redefining original concepts embodied in the CA; difficulties in solidifying expectations of counterpart representatives; changes in visa regulations causing unnecessary delays and expense that remain unresolved; etc.

By the end of Y1, headquarter related issues were resolved with the appointment of Jason Czyz as the P3DP Project Director. Mr. Czyz has now made 2 productive trips to Ukraine to become more familiar with Program staff, activities, counterparts, Implementing Partners, USAID/Ukraine, and the working environment faced by Program personnel. Also, near the end of Year 1, it appears that a fairly near-term resolution of the reorganization of MOEDT was forth-coming, thus helping to assure a more stable working relationship with this important counterpart.

Looking forward, the year-end actual and potential issue areas are identified as follows: stability with GOU counterparts, execution of sub-agreements with Implementing Partners, comports of P3DP work plan and budget parameters with USAID, resolving transportation services support, resolving issues with securing resident visas for expat staff. In turn these are addressed with accompanying remedial actions envisioned or underway.

***Stability with GOU counterparts*** – Lack of clarification of roles within MOEDT and between MOEDT and NPA have complicated planning, relationship development and productive action among representatives of these entities and P3DP. Some planned activities could continue apace; however, others were in a continual state of uncertainty throughout a significant portion of Y1. Recent informal information available to P3DP seems to indicate that the long-awaited reorganization within MOEDT may substantially clarify things, thus allowing the development of more productive working relationships for all parties concerned. P3DP will seek opportunities to fully inform and empower the emerging sub-organizations, leaders and staff so that common goals in the PPP arena can be realized.<sup>10</sup>

***Execution of sub-agreements with Implementing Partners*** – Some of the resources required to pursue activities, particularly under Objective 3, are designed to come from local Implementing Partner organizations. At the time of writing this document, P3DP was in the final stages of completing an agreement with KEI and moving forward with contractual discussions with AUC, EEF, and PPPDSC. P3DP has encountered several challenges in concluding agreements with local Implementing partner organizations. For instance, KEI requested a hedge against inflation in its contract, which is unusual for USAID programs and resulted in prolonged discussions. PPPDSC submitted a budget and hourly rates for its staff and consultants which are not in line with their 1420s. The field office and FHI 360 headquarters is diligently attempting to resolve these issues and move forward with bringing on the local Implementing Partner organizations.<sup>11</sup>

***Comports of P3DP work plan and budget parameters with USAID*** – Certain potential modifications to the CA have been identified, and these may be further developed and suggested to USAID, including those to formalize the USAID request regarding the abatement of Component 2 of Objective 4, to clarify evolved issues, and to update the budget per CA guidelines.

<sup>10</sup> A meeting among P3DP representatives and two newly-appointed MOEDT leaders, Mr. Oleg Gnatsov and Mr. Pavlo Pakholko is scheduled for October 19, 2011.

<sup>11</sup> As noted above, P3DP concluded agreements with KEI and AUC in October 2011.

***Resolving transportation services support*** – Entering Y2, P3DP has access to one project vehicle and one staff driver. The vehicle is via a short-term lease. As travel requirements both within Kyiv and to PPP pilot project and training sites ramps-up significantly in Y2, additional transportation services will be required. Various issues related to procurement of Program vehicles remain unresolved, and FHI 360 is seeking clarifications and inputs from USAID. The formerly-contemplated vehicle solution which included the potential for P3DP’s receiving the project vehicle currently serving the USAID Municipal Heating Reform Project seems to be unworkable in the near term, as it is understood that this project has been extended to a point some 18 months away. Therefore, quick resolution of vehicle acquisition(s) in support of P3DP is critical to programmatic success.

***Resolving issues with securing resident visas for expat staff*** – DCOP Hearn was able to secure his C-1 visa in the United States on May 16, 2011, prior to his permanent mobilization to Kyiv on May 26, 2011, and subsequently received his resident status in Ukraine. However, similar attempts by COP Pieper did not result in success either early-on in the Program or more recently this past summer with a USAID-sanctioned trip to Rome, Italy, as the GOU has now changed the rules regarding the issuance of visas and resident status documentation. Additional attempts through USAID are underway to secure a proper visa and resident permit for Mr. Pieper under the new regime; however, as of the end of Y1, there has been no promise of finalization on the horizon. Clearly the uninterrupted service of COP Pieper is important for the oversight of the Program.

From time to time, P3DP will become aware of issues that bear noting or watching for potential current or future program impacts and these issues will be raised in the Quarterly and Annual Reports.

## Attachments

### a. Photos and Captions

The photos and respective captions below are representative of activities undertaken by P3DP staff during Y1Q4. Previous quarters' photos have appeared in the respective Quarterly Reports for the period in which the activities occurred.



Participants of the Simferopol City Hall meeting in ARC, including representatives of the Agency for Regional Development of ARC: Mukhamed Sait-Ametov and Konstantin Grivakov.



Meeting with the Deputy Minister of Economic Development and Trade of ARC, P3DP and representatives of various interested ministry departments.



P3DP COP and P3DP Manager of Transaction Services meet with the Mayor of Zhytomyr regarding the city's interest in a PPP pilot project in solid waste processing services.



Poltava representatives of regional authorities and business leaders working in the field of housing, met with representatives of P3DP to discuss potential projects of cooperation – in particular, the modernization of the Tsiolkovsky, 8 district heating system in Poltava. Poltava representatives included the Acting Head of Poltava Regional State Administration - Victor Zhyvotenko, Head of Housing - Tonkov Alexander, and Head of CP 'Poltavateploenerho - Vladimir Cherniavsky. The project could take place within a PPP framework, with a focus on the possibilities of not only lowering tariffs for heat and water, but also reduce energy costs in providing these services.

#### **b. Report on Study Tour to Russia**

In Y1Q4, P3DP arranged its second study tour of the year for 12 GOU officials to St. Petersburg, Russia. The formal report of that tour follows.

## **Ukrainian National Government Officials Study Tour to St. Petersburg**

**31<sup>th</sup> July - 03<sup>th</sup> August, 2011**

Prepared by:  
Olga Petrenko, Operations and Senior Project Coordinator  
Tatiana Korotka, Manager of GoU Development Support

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## **ABBREVIATIONS**

<b>P3DP</b>	Public Private Partnership Development Program
<b>USAID</b>	United States Agency for International Development
<b>MoEDT</b>	Ministry of Economic Development and Trade
<b>PPP</b>	Public Private Partnership
<b>GoU</b>	Government of Ukraine

## EXECUTIVE SUMMARY

- The success of PPP projects in St. Petersburg is ensured by effective regional law on the participation of St. Petersburg in the PPP. The legislative framework is based on: Federal Law № 115-FZ “On Concession Agreements”, St. Petersburg Law № 627-100 “The participation of St. Petersburg in the public-private partnerships”.
- There are two state committees directly involved in PPP project preparation and coordination in St. Petersburg: Committee for Investments and Strategic Projects and Committee for Economic Development, Industrial Policy and Trade. The leading public body on PPP development in St. Petersburg is Committee for Investments and Strategic Projects.
- Division of PPP projects in the structure of Committee for Investments and Strategic Projects is responsible for project appraisal, making decisions regarding preparation, implementation and project management methods. It is also serves as a “knowledge hub” of PPPs to other public authorities and different stakeholders.
- An important successful factor for PPP project preparation is attracting an experienced consultant – e.g. the World Bank.
- St. Petersburg has sufficient budget for attracting highly professional consultants.
- In St. Petersburg, an effective mechanism for project management through the establishment of management companies (with 100% of city ownership) has been tested and will continue be used.
- Committee for Investments and Strategic Projects provides continuing development of methods and regulations required for implementation of PPP projects.
- Funding for the city’s management companies is based on the following principle: for "profitable" projects at the expense of profit-sharing, for "losing" projects from the budget of the city

## 1. INTRODUCTION

On August 31, 2010 The Ministry of Economy of Ukraine established a PPP Interagency Working Group by issuing an Order No. 1082 “On establishing Interagency Working Group on PPP Development in Ukraine”.

PPP Interagency Working Group is a constantly acting consulting body under the Ministry of Economy that was established aiming at comprehensive research and summarization of the results of PPPs, coordination of PPP development in Ukraine, development of institutional, legislative and scientific support in this sector, assistance to implementation of PPPs, and dissemination of experience gained.

This study tour training intervention supported the Ministry of Economy of Ukraine, PPP Interagency Working group under the Ministry of Economy of Ukraine, State Agency for Investments and National Projects, and other Ministries.

The basic goal of the study tour was to introduce participants to successfully operating PPP units and PPPs in order to help them to formulate their opinion on the roles and functions of PPP responsibilities to be assigned in Ukraine.

Participants were exposed to models, functions, roles and practices of PPP units in St. Petersburg that have successful PPPs, with the expectation that they will be able to decide what principles and practices observed and discussed are applicable to similar PPP responsibilities to be established in Ukraine.

At the end of the training program participants are able to describe the roles, functions, competencies and responsibilities of PPP units in host countries. Participants were asked to complete a written survey that represents synthesis of information, knowledge and skills acquired during the study tour. The survey showed the steps that participants intend to take in order to use what they have learned and discussed during training. Upon return to Ukraine, trainees will make presentations to broader group of people about what they have learned during study tour as a follow-up activity.

There are two PPP-related units in the Government of St. Petersburg: Committee for Investments and Strategic Projects (Investment Committee) and Committee for Economic Development (specifically, Investment Analysis and Investment Programs Department). Investment Committee promotes and develops PPPs for the city. Committee for Economic Development vets and appraises the projects (i.e. plays the role of gatekeeper).

Reasons why the St. Petersburg units would be of interest to the Ukrainian group.

- A great deal of effort has been put into its PPP program by St. Petersburg. They received considerable advice from the World Bank in setting up the unit and preparing initial projects.
- In December 2006 the City Government passed the Law on Participation in Public Private Partnerships, to supplement the Federal Law on Concession Agreements and provide a sound legal framework for PPPs.
- They have been pushing ahead with a number of PPPs: airport, light rail, roads, wastewater treatment, etc. There is a great deal of activity there.
- In 2008, KPMG was quoted as saying: "It can be seen that St. Petersburg is the leader among the Russian regions in implementing PPP schemes."
- Knowledgeable outsiders speak highly of the efforts of St. Petersburg in the area of PPPs.
- The idea of checks & balances in the interplay between the two units (one that develops and one that screens and approves) is an interesting one for the Ukrainians to learn about.
- There is a similarity in legal issues and types of PPP arrangements because of former Soviet law in Ukraine.
- St. Petersburg is physically close by and one might envisage future exchanges of information and capacity building.
- Finally, St. Petersburg is a top choice of the Working Group and MoEDT representatives.

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## 2. PARTICIPANTS

Participants of the study tour included:

<b>Ministry of Economic Development and Trade of Ukraine</b>		
1	Husiev Yuriy	Deputy head of the department, head of the division of investment and innovation activities, heads of the delegation
2	Maziarchuk Viktor	Chief specialist, division of investment and innovation activities of the department of investment and innovation policy
3	Hryshkevych Oksana	Director of the Department of Infrastructure Projects and Support to Implementation, Ministry of Economic Development and Trade of Ukraine
<b>Interagency working group on PPP development</b>		
4	Zapatrina Iryna	Deputy head of the working group, head of the Ukraine Public Private Partnership Development Support Center
5	Lukyanenko Petro	Expert of Interagency Working Group on PPP Development in Ukraine
<b>Ministry of Finance of Ukraine</b>		
6	Sherstiuk Viktoriia	Head of the division on financial issues of privatization and state property rights management of the department of state enterprise finances, property relations, and entrepreneurship of the Department of finance
<b>Ministry of Infrastructure of Ukraine;</b>		
7	Kartak Volodymyr	Director of the Department of State Property, Ministry of Infrastructure of Ukraine
<b>State Agency of Investment and National Projects</b>		
—	Demjanjuk Vitaliy	Deputy Chairman of State Agency for Investment and Management of National Projects in Ukraine
<b>Ukravtodor</b>		
9	Babich Teresia	Head of Foreign Economic Activity Department, State Road Service of Ukraine
10	Zahornyak Oleg	Director of Finance and Economic Policy of the State Road Service of Ukraine
<b>Kiev city state administration</b>		
11	Svitlychnyi Oleg	Head of the Investment Policy Department of Economy and Investment, Kiev city state administration
<b>Administration of the President of Ukraine</b>		
12	Buhrimova Yana	Coordinator of Implementation of Reform of the Coordination Center with the Introduction of Economic Reforms Administration of the President of Ukraine

Olga Petrenko, P3DP Operations and Sr. Project Coordinator and Tatiana Korotka, Manager of GoU Development Support, accompanied the group as technical observers.

## 3. STUDYING OVERVIEW

Study tour was organized at such way that participants on the first day obtain knowledge on various aspects of the experience of St. Petersburg for the implementation of public-private partnership projects, and on the second day visit sites of PPP projects, to meet with key personnel, observe facilities, and discuss practical issues. Since the arrival of the delegation at the airport Pulkovo, host representatives of the Committee for Economic Development, Industrial Policy and Trade (hereinafter – the Economic Development Committee) helped welcome the participants of the Ukrainian delegation. Meeting

Ukrainian colleagues upon arrival at the airport was the Head of Investment and State Programs, Mr. Sergey Izotov.

### **3.1. The First Day of Studying**

During the first day of study tour, participants attended sessions held at the building of the Government of St. Petersburg, in particular in the area of the Economic Development Committee. At the outset, a Member of the Government of St. Petersburg, the Chairman of the Economic Development Committee, Mr. Eugene Yelin greeted the participants and presented overall activities of St. Petersburg for the development of the city and the region. In particular, Mr. Yelin said that greater use of PPP tools St. Petersburg was pushed by financial crisis and long economic recession.

#### **Committee for Economic Development, Industrial Policy and Trade**

Economic Development Committee is an executive body of St. Petersburg. The Committee was formed to organize and coordinate of state bodies of St. Petersburg in the area of (but not limited to):

- analyzing and forecasting economic and social development
- public strategic planning
- development and implementation of innovation and investment policy
- industry, agriculture, trade, tariff policy, the development of the territories of St. Petersburg, etc.

Training sessions began with a presentation on "Choosing the optimal form of investment projects, advantages and disadvantages of PPP projects". Information was presented by Alexander Nikonov, the representative of the Economic Development Committee. Mr. Nikonov began the presentation with an overview of the state bodies of St. Petersburg, which are involved in PPP projects. This presentation provoked an active discussion by participants; the point is that St. Petersburg Government includes several governmental authorities which are directly involved in the preparation and implementation of PPPs in the city, and this approach to distribute functions is similar to the Ukrainian distributed functions model.

The main governmental authority responsible for PPPs is the Committee for Investments and Strategic Projects (hereinafter- Strategic Projects Agency). In turn, the Strategic Projects Agency also performs a role in decision-making and preparation of PPP projects.

#### **Committee for Investments and Strategic Projects**

Strategic Project Agency is a state executive body of St. Petersburg responsible for (but not limited to):

- carrying out the investment policy of St. Petersburg and the development of investment climate of St. Petersburg
- development of all forms of public-private partnership
- support strategic investment projects of high socio-economic priority
- development of tourism and hotel infrastructure and hotel industry in St. Petersburg

As it was clear from the discussions that Committees of St. Petersburg, together with the Finance Committee, share responsibilities over preparation of PPP projects. Leadership in the preparation of PPP projects is transferred from one committee to another depending of presence or absence of state financing for project implementation. In particular, in St. Petersburg, only a PPP project included in long-term state special-purpose program could be financed by state financing. Such long-term special-purpose programs are defined to be those at least three years in length. Today in the package of long-term state programs there are 23 programs, and some of them are PPP projects.

The second presentation was conducted by Roman Golovanov, the Head of PPP Project's Division of Strategic Projects Agency. His presentation was dedicated to the main objective of the study-tour - "The order of interaction among governmental bodies during the period of preparation and realization of PPP projects". In particular, Mr. Golovanov stated that as part of the core mandates of the Strategic Projects Agency were the responsibilities for project assessment, taking decision, providing information and methodical assistance to public authorities, and also serves as a "knowledge hub". It was also mentioned during the presentation that in a short-term plan of the Strategic Projects Agency is to create a standard project appraisal methodology.

A special issue highlighted by Mr. Golovanov was a state system of project monitoring. The experience of on-going projects demonstrated the effectiveness of this process established by Government of St. Petersburg special state PPP management companies. For some projects (as a rule, small projects) the private partner performs monitoring by itself. As an example of such approach Mr. Golovanov presented the PPP project on construction and operation of a school in one of the neighborhoods of St. Petersburg. On the question of the representatives of Ukrainian delegation regarding the system of obligatory reporting to the PPP unit, Mr. Golovanov said that there is no special reporting. As a rule the PPP Project Management Company established in the form of open joint stock-company, and the appraising of the project is subject to corporate governance rules. In other cases, tax authorities and other inspection bodies also have provision for mandatory reporting, so there is no need to introduce additional requirements.

Regarding the stage of project initiation, which was also very interesting for the Ukrainian delegation, Mr. Golovanov said that both committees work with potential investors. Thus, in accordance with Russian legislation and the legislation of St. Petersburg, the initiator of the project is always a public agency. Important information for the representatives of the Ukrainian delegation was knowledge that the PPP unit of St. Petersburg and the PPP Unit at the central level are not interconnected and not interdependent.

#### **Project on Waste Recycling Plant in Yanino**

- The project focused on designing, constructing, and operation of the plant and then transferring its ownership to the city.
- Return on investment is carried out during the operation period of the plant through the payment of the tariff on disposal and, where necessary, subsidies from the budget of St. Petersburg.
- St. Petersburg ensures provision of land for the project, the supply of 350 thousand tons of solid waste per year and payment processing.

The agreement was signed in May 2011, and entry into force is expected in November 2011.

Then Ilgiza Hafizova, Deputy of the Finance Committee Chairman introduced a system of financial risk management focused on debt and guarantee management, which is broadly implemented by the Government of St. Petersburg. Time after the break was entirely devoted to the presentation of implemented infrastructure PPP projects, and presentation materials in Russian are enclosed with this report:

The experiences of development related to the Pulkovo Airport Development Project and the Northern Water Treatment Plant Project were presented Ilya Gudkov – General Director of state enterprise “Agency for Strategic Investments”. The Agency operates under the Committee for Investment and Strategic Project and is highly involved in the PPP project development process.

#### **Pulkovo Airport Development Project**

This ambitious PPP project includes deadlines over more than 30 years from 2007 to 2039, and a budget with the first phase of construction being approximately 1.3 billion Euros.

The objectives of the PPP project are:

- Creation of St. Petersburg a major transportation hub (the hub) with high efficiency
- Creating a world-class civil airport with a level of passenger services are not below than C class by IATA
- Implementation of the architectural concept of Grimshaw Architects (UK)
- Increase in revenue from airport operations

Ilya Gudkov also provided detailed information about the participants in the tender, schedule of the competition and some details of the tender, which did not constitute confidential information.

#### **Northern Water Treatment Plant Project**

The reconstruction of the Northern Water Treatment Plant is a new project. It will be realized during the period 2011 - 2036 years, and the budget should be between 8-12 billion Rubles. Presentation of technical characteristics of the project enclosed with this report.

Participants in the tender are consortiums of the world leading companies, together with Russian companies. Now the project is in a stage of bid preparation, so representatives of governmental agencies kept strict confidentiality regarding other details of the project.

#### **“Western High Speed Diameter” Project**

Western High Speed Diameter- PPP project on road building was presented by Konstantin Popov, Director of legal issues of Open Joint-Stock Company “Western High Speed Diameter”.

### **3.2. The Second Day of Studying**

The second day of the study tour was devoted to practical examples of PPP organizations in St. Petersburg. To demonstrate their achievements, Russian partners have chosen large-scale projects related to the strategic development of St. Petersburg:

- Marine Passenger Terminal, and the new areas prepared for PPP project called "Marine Facade"
- Western High Speed Diameter- PPP project on road building
- South-West Wastewater Treatment Plant

All site visits were accompanied by a presentation of the particular project and discussions of its details. Participants of the Ukrainian delegation received detailed answers on all aspects of management of these infrastructure projects, including technical, financial and managerial issues. During the discussions, host representatives explained in practical examples of specific solutions to various problems of a scheme of interaction with government agencies and investors, disclosed plans for cooperation on PPP schemes for specific projects.

After visiting the PPP projects, the Ukrainian delegation continued its discussions regarding information received and completed the required follow-up evaluation document, facilitated by Tatiana Korotka.

### 3.3.Study Tour Evaluation

An overall evaluation of the study tour was given to the 12 participants, members of the Ukrainian delegation. The methodology of evaluating the study tour was based on the questionnaire and numerical evaluation, and covered three general parts (Annex A):

- Institutional Framework of PPPs in St. Petersburg
- Organizational location, structure, and functional responsibilities of the PPP Units in St. Petersburg
- Organization of the study tour

The evaluation form was provided in Ukrainian and English languages with 12 participants completing the forms in Ukrainian and 0 participants in English.

The practical results of the evaluation were as follows:

1. Participants identified the following functions as being performed by the PPP Units in St. Petersburg

Regulatory	8
Promotion	12
Marketing	9
Training	5
Monitoring	6
Other:	
Strategic planning	1
Project Appraisal	1
Project Initiating	1
Project Selection	2

Most of the participants found difficulty responding to the question: who is to perform this above mentioned function in Ukraine? However three participants highlighted that functions distributed between National Projects Agency and MoEDT.

2. In general, thematic sessions were marked by grades (1 = very bad and 5 = very good)

Legislative basis of PPP in St. Petersburg	3 (Satisfied) – 1 person
--	--------------------------

	4 (Good) – 6 persons 5 (Very good) – 5 persons
Procedure of interaction between the executive authorities of St. Petersburg for implementation of PPP Projects; methodological support of PPP Projects	3 (Satisfied) – 1 person 4 (Good) – 5 persons 5 (Very Good) – 6 persons
Selection of the optimal form of implementation of investment projects; advantages and disadvantages of PPP Projects	3 (Satisfied) – 1 person 4 (Good) – 5 persons 5 (Very Good) – 4 persons  1 participant was not able to determine
Evaluation of direct and indirect obligations of St. Petersburg, that result from implementation of PPP Projects, making decisions about possibility of financing those obligations	4 (Good) – 3 persons 5 (Very Good) – 8 persons 1 participant was not able to determine

3. The most relevant in terms of their possible applicability to the development of Ukraine's PPP environment in general were the following topics:

- Practical examples of PPPs – 8 persons
- Interaction of the Strategic Project Committee with other government agencies – 3 persons – 3 persons
- Selection of the optimal form of implementation of investment projects; advantages and disadvantages of PPP Projects – 3 persons
- Funding of PPPs – 2 persons
- Creation of social infrastructure – 1 person

4. Most participants noted that the knowledge gained about specific PPP projects in St. Petersburg (planned or on-going) will be used in the practical implementation of projects in Ukraine, in particular, in the areas of:

- Legislation development
- PPP strategy development
- Project development (initiation, appraisal, selection, monitoring)
- Pilot project development
- Financial model development

- PPP Unit

5. On the question: what do you now realize that you need to know more about in the PPP arena in order to benefit your work in Ukraine? Participants' responses were distributed in the following areas:

- Project Appraisal Methodology – 4 persons
- Budget legislation development – 5 persons
- Methodology of SPV development – 1 person
- Projects on reconstruction of airports and marine ports – 1 person
- Specifics of PPP project management- 2persons
- State aid and guarantees – 2 person
- 1 participant was not able to determine.

6. In what ways do you think the St. Petersburg experience can be applied, or not applied, to Ukraine? This question received a variety of responses, which can be grouped into the following groups:

- for development of interconnection of different public bodies
- for development of regional level of PPP units
- for establishing special authority (but not in MoEDT)
- as a basis for development of institutional environment
- for development MoEDT as a PPP Unit.
- for Kiev city experience
- to provide environmental protection
- to develop toll roads

7. Regarding opinions how PPP functions should be distributed among different bodies in Ukraine (central level, line ministries and municipal level) participants expressed a wide range of ideas, some of them are really innovative:

- Line ministries and local government should be responsible for project initiation; interagency working group (MoEDT, Ministry of Finance, and Ministry of Justice) must provide appraisal of feasibility study; special state body should organize project coordination, realization, and monitoring.
- PPP Unit must be organized based on MoEDT organizational structure.
- Leave for MoEDT those functions on strategy development and prioritizing of PPP projects, but transfer to local government and line ministries other functions related to PPPs
- MoEDT should be responsible for strategy development, and local authorities for project implementation
- It should be singular state authority for PPP projects, f.i. National Project Agency

It was also mentioned that St. Petersburg experience provides some support for the argument of distribution of functions between two state bodies.

8. Participants basically were satisfied with level of information provided during studying.

9. 11 participants evaluated Logistics as 5 = very good, and 1 participant evaluated Logistics as 4 = good.

10. To improve the study tour or similar study tours in the future, basically were expressed three recommendations:

- study tours topics should include institutional PPP projects
- to organize further study tour to Latin America and/or Asia; and
- to provide study tour opportunities more often.

11. Overall, participants highlighted usefulness of the study tour for their practical work in Ukraine – 12 persons.

#### **4. TRAVEL & FINANCIAL INFORMATION**

##### **4.1. International Travel Information:**

<b>DATE OF FLIGHT</b>	<b>Flight number</b>	<b>AIRLINE COMPANY</b>	<b>Flight (from-to)</b>	<b>DEPARTURE</b>	<b>Arrival</b>
July 31, 2011	VV0401	Aerosvit	Kyiv-St. Petersburg	15.05	18.10
August 3, 2011	VV0402	Aerosvit	St. Petersburg-Kyiv	18.20	19.10

##### **4.2. Domestic Travel Information:**

###### **Ground transportation in Kyiv:**

On July 31, 2011 shuttle bus was arranged for training participants:

Departure to the Boryspil airport from the Ministry of Economic Development and Trade (28, Druzhby Narodiv blvd.) at 11.30.

##### **4.3. Ground transportation in St. Petersburg:**

Participants were met at Pulkovo-2 airport by a representative of the Committee of Economic Development and transferred to the Kempinski Moika 22 hotel. Comfortable bus was arranged for training participants for the entire period of the training, including transportation to the building of the Government of St. Petersburg located at 16, Voznesenskiy Avenue, site visits to PPPs in St. Petersburg and surrounded areas, namely Sea Passenger Terminal at Vasilievsky Island, automobile road Western Speed Diameter, and Waste Water Treatment Plant to the South West of St. Petersburg. On the last day, the bus transferred the group to the airport.

**Accommodation:** Participants were accommodated at Kempinski Moika 22 hotel in St. Petersburg.

Kempinski Moika 22

191186, St. Petersburg  
22, Moika Embankment.  
Tel. +7 (812) 702-7711.

**Allowance Information:** All participants got allowances for meals and incidental expenses according to USG per diem rates. For arrival and departure days participants received 75% of M& IE (\$134 x 75% = \$100.5). Breakfast was included in hotel price, and was excluded from M&IE.

Date	Amount
July 31	<b>\$100.50</b>
August 1	<b>\$114</b>
August 2	<b>\$114</b>
August 3	<b>\$85.50</b>
Total	<b>\$414</b>

**Confirmation of Med Certs :** All participants were covered by HAC medical insurance.

Volodymyr	Panchenko	500895330
Viktor	Maziarchuk	500871689
Yuriy	Hushev	500871684
Volodymyr	Kartak	500895328
Oksana	Hryshkevych	500895327
Tereziya	Babych	200441863
Petro	Luk'yanenko	500895329
Iana	Bugrimova	500895326
Oleg	Zagornyak	500895332
Oleg	Svitlychnyi	500895331
Vitalii	Dem'ianiuk	500871681
Viktoriia	Sherstiuk	500871692
Iryna	Zapatrina	200017663
Olga	Petrenko	500871691
Tatiana	Korotka	500871688

#### 4.5.Estimated study tour budget:

	PPP study tour to Russia		
	<b>Cost, USD</b>	<b>Unit No.</b>	<b>Total</b>

International travel (round trip)	\$500	15 RT tickets*	\$7,500
Airport transfer	\$80	2 van trips	\$160
Ground transportation in training country	\$500	4 van trips	\$2,000
Lodging	\$352	3 nights for 15	\$15,840
M&IE	\$134	4 days for 15	\$8,040
Health insurance	\$10	15 people	\$150
Translator	\$500	3 days	\$1,500
Total trip			\$35,190

Actual study tour expenditure will be available upon completion of all outstanding payments.

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\* One MoEDT representative for a whom ticket was purchased was unable to make this trip at the last minute due to urgent ministry business

## POST-TRAINING SUMMARY EVALUATION

Name of Participant: \_\_\_\_\_ Date: \_\_\_\_\_

### 1. Institutional Framework of PPP

2. Please indicate what functions are performed by the municipal PPP Units in St.Petersburg?

Regulatory	
Promotion	
Marketing	
Training	
Monitoring	
Other (please describe)	

How are these above mentioned functions distributed in Ukraine?

3. Please rate the following activities (1 = very poor; and 5 = very good)

Legislative basis of PPP in St. Petersburg	1	2	3	4	5
Procedure of interaction between the executive authorities of St. Petersburg for implementation of PPP Projects; methodological support of PPP Projects	1	2	3	4	5
Selection of the optimal form of implementation of investment projects; advantages and disadvantages of PPP Projects	1	2	3	4	5
Evaluation of direct and indirect obligations of St. Petersburg, that result from implementation of PPP Projects, making decisions about possibility of financing those obligations	1	2	3	4	5

4. Which topics or presentations were the most relevant in terms of their possible applicability to the development of Ukraine's PPP environment in general?

5. In what ways will you use the knowledge you gained about specific PPP Projects in St. Petersburg (planned or on-going) for your work in Ukraine?

6. Now that you have knowledge from this PPP-focused study tour to St. Petersburg, what do you now realize that you need to know more about in the PPP arena in order to benefit your work in Ukraine?

### II. Organizational location, structure, and functional responsibilities of the municipal PPP Unit

7. In what ways do you think the St. Petersburg experience can be applied, or not applied, to Ukraine?

8. Please give your personal opinion about how PPP functions should be distributed among different bodies in Ukraine (central level, line ministries and municipal level). Refer to the St. Petersburg experience, if and where appropriate.

9. Are there any questions you have about PPPs in St. Petersburg, in particular, which you think were not adequately addressed during the study tour? If so, please describe them.

### **III. Organization of the study tour**

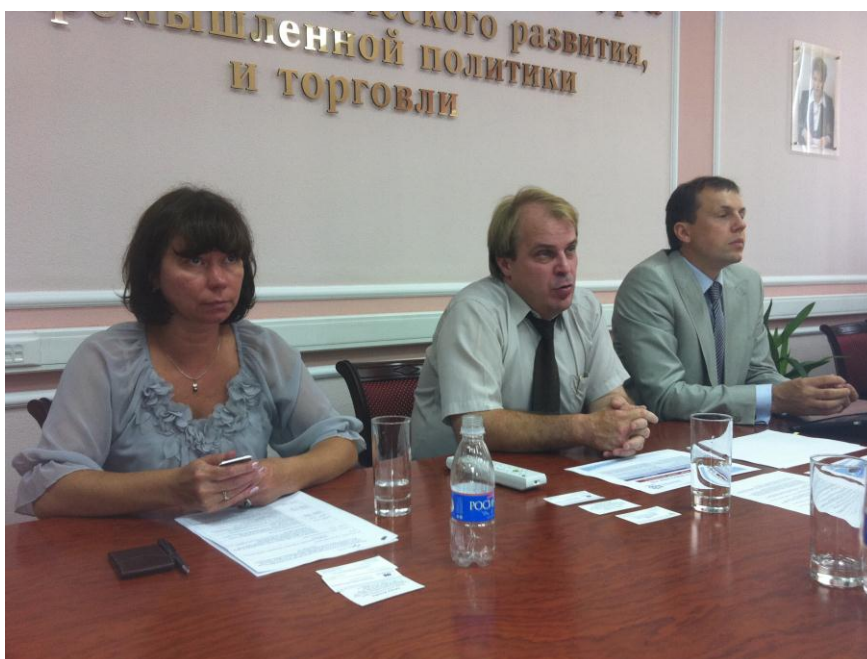
10. Please evaluate the following services (1 = very poor; and 5 = very good)

Logistics	1	2	3	4	5
Translation	1	2	3	4	5

11. Any suggestions for improving the study tour or similar study tours in the future?

12. Overall, was the study tour useful for you? If “yes” – please note the useful areas. If “no” – please note the areas that you think fell short of your expectations.

**Thank you for your feedback!**



*Tatiana Pigolts, Aleksander Nikonov, and Roman Golovanov present experience of St. Petersburg on PPP development*



*Participants of Ukrainian delegation listen of presentations*



*Andrey Fedorov, commercial director of PLC “Passenger Port of St. Petersburg “Marine Facade” presented achievements of the port PPP project*



*Study-tour participants tour the passenger port facilities*



*Port of St. Petersburg facilities*



*Ukrainian delegation visited of Western High Speed Diameter*



*Participants listened to the presentation on development of PPP Project “South-West Wastewater Treatment Plant”*



*Ukrainian delegation toured the water treatment plant*

### **c. Activities Schedule from Work Plan for Year 2**

The activities schedule is not included in this Report because of the significant personnel changes taking place at the MOEDT and the changing scope of P3DP's assistance to the Ministry. Per P3DP's discussions with both USAID and MOEDT, it is necessary to re-visit the Activities Schedule for Y2, which will be submitted to USAID for final approval. While P3DP's assistance to MOEDT does not directly relate to all of P3DP's activities or objectives, the changes requested by MOEDT may have an impact on the other objectives and other activities.

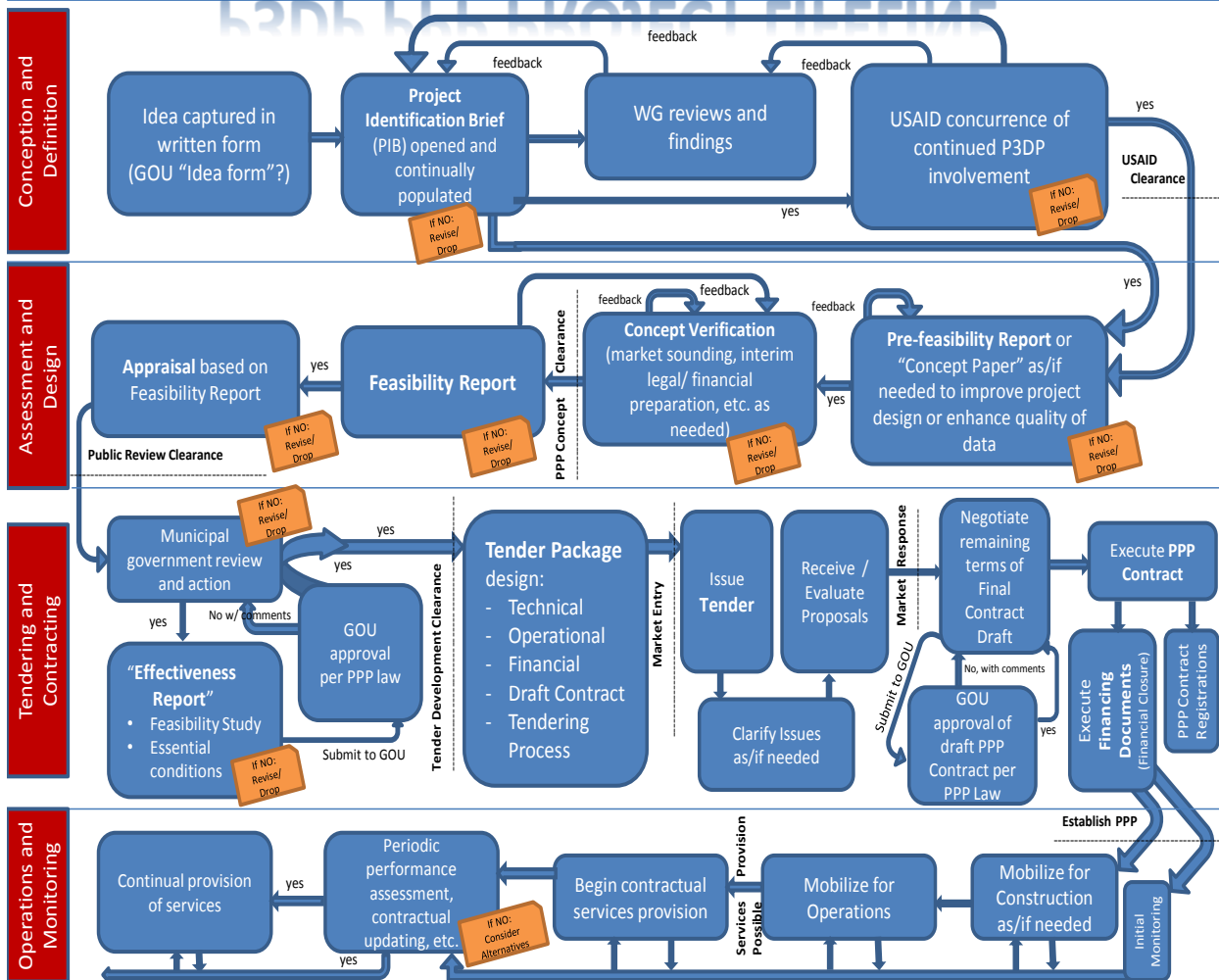
#### **d. P3DP PPP Pilot Project Lifeline**

The P3DP PPP Project Lifeline, prepared in Y1Q4, is a graphical depiction of the series of stages/steps and interventions as a P3DP PPP pilot project may develop from merely a concept to a point of actual on-the-ground delivery of contracted services under an executed PPP contract. The Lifeline model is divided into four stages through which project initiatives will pass: Conception/Definition; Assessment/Design; Tendering /Contracting; and Operations/Monitoring.

It should be noted that the associated public partner is engaged from the beginning of the Lifeline, with initial phases being primarily facilitated through P3DP technical assistance. As a project progresses through the Lifeline, the associated public partner takes a greater share of the effort and leadership in the accomplishment of each subsequent activity.

# P3DP PPP PROJECT LIFELINE

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#### **e. Potential PPP Pilot Projects Pipeline**

The PPP Pilot Project Pipeline is a summary tabulation of those potential PPP pilot projects which have been recommended for further development into model projects supporting P3DP legal, process and procedural technical assistance activities. As of the end of Y1Q4, the potential projects in this tabulation are somewhat ranked in an order of viability of development, based on the collective, subjective opinions of the P3DP team – taking into account the many factors potentially affecting project viability. Note that this is a “living document” and will be updated frequently as additional information is obtained for the projects noted or as new projects rise to the level of potential viability and are added to the list.

#	City	PPP project	Comments
1	Lviv	Parking Management	<ul style="list-style-type: none"> <li>• Among top-6 presented to USAID</li> <li>• City seems open to cooperation</li> <li>• Major legislative obstacles identified</li> <li>• Concept is interesting and progressive</li> <li>• Hosting EURO-2012 may lead to preferences from GOU to Lviv</li> <li>• EBRD might finance. However city almost reached its leverage ceiling</li> <li>• City ready to consider MOU/Action Plan</li> </ul>
2	Ternopil	Waste treatment	<ul style="list-style-type: none"> <li>• P3DP, Ternopil Mayor/officials, Agency for National projects (Clean City) and market players feel positive to develop the project</li> <li>• Lack of investors/TA projects, co Mayor highly interested</li> <li>• City badly requires a new landfill and generates enough waste for a middle-scale project</li> <li>• EBRD is to finance city's communal sphere, so has contacts with city officials</li> <li>• City OK to private participation in communal infrastructure</li> </ul>
3	Poltava	Heat district	<ul style="list-style-type: none"> <li>• Among top-6 presented to USAID</li> <li>• MHRP did partly energy audit of city</li> <li>• Governor and local consultants are supporting/pushing the project</li> <li>• Other stakeholders, including director of Communal Enterprise are passive</li> <li>• Strong local stakeholder – ITCON (they do projects in Kiev, Sevastopol, Dnepropetrovsk etc.)</li> <li>• 2 meetings of the WG held in Poltava, at least 1 additional meeting needed</li> </ul>
4	Voznesensk	Waste treatment	<ul style="list-style-type: none"> <li>• Among top-6 presented to USAID</li> <li>• Strong mayor, started construction</li> <li>• We have doubts the projects is designed well-enough</li> <li>• If market sounding says OK, project is good for a pilot one</li> <li>• Small size might be the hinder</li> </ul>
5	Simferopol	City Park	<ul style="list-style-type: none"> <li>• Everyone supports the project in Simferopol – as we were told at the meetings</li> <li>• Local player wants to participate and win at the tender</li> <li>• Already invests into park and does some business there, wants to have it all formalized as a PPP</li> <li>• Land issue might be the main hinder – alternative design without land might be required to facilitate projects' implementation</li> </ul>
6	Rivne	Waste water	<ul style="list-style-type: none"> <li>• CS+NB went to talk to them in 2Q2011</li> <li>• Director of Vodokanal proposed the whole enterprise for a PPP, CS thinks it is just waste water part for a PPP</li> <li>• Put on hold, before completion of certain city visits and market sounding</li> </ul>
7	Zaporizhya	Hospital	<ul style="list-style-type: none"> <li>• Just appeared on our list</li> <li>• Mayor signed a trilateral LOI – City/PPPDSC/Chamber-of-Commerce</li> <li>• They want open tender and ready to meet with P3DP in September</li> <li>• 1 local participant wants to win, can facilitate in development</li> <li>• Not sure if concept already developed – project on P3DP's radar</li> </ul>
8	Zhytomyr	Waste treatment	<ul style="list-style-type: none"> <li>• Among top-6 presented to USAID</li> <li>• At the initial stage of consultations/development – we have to talk to more local stakeholders and Governor/Deputies</li> <li>• Mayor is considering signing bilateral LOI</li> </ul>
9	Evpatoriya	Recreation. Bike district.	<ul style="list-style-type: none"> <li>• Among top-6 presented to USAID</li> <li>• Project socially interesting, important question however is whether economically viable and bankable?</li> </ul>

			<ul style="list-style-type: none"> <li>• They have a certain concept in place, we think it is OK</li> <li>• Project seems easy-to-implement if market sounding says OK</li> </ul>
10	Sevastopol	Heat	<ul style="list-style-type: none"> <li>• MHRP identified problems</li> <li>• EBRD came to study the situation for potential financing</li> <li>• We are expecting information on the project</li> <li>• Situation close to Poltava case – they are considering co-generation instead of heating district. They know ITCON, Murashko looked at this, told them it is very worthy</li> <li>• Local authorities are cautious to get involved into PPPs, before by-laws are adopted on the local level</li> </ul>
11	Cherkassy	Waste water	<ul style="list-style-type: none"> <li>• City wants its own water collection and processing facilities, currently uses one, which belongs to largest local private industrial enterprise</li> <li>• Project undeveloped though</li> <li>• Significant follow-up is required to further asses the PPP project potential</li> </ul>
12	Simferopol	Waste water	<ul style="list-style-type: none"> <li>• Vodokanal requires an updated waste water collection system, construction stopped under USSR era</li> <li>• Not sure if it is still viable, or redesign needed – but city needs it badly</li> <li>• IFIs like waste water deals</li> </ul>
13	Trostryanets	Waste	<ul style="list-style-type: none"> <li>• Among top-6 presented to USAID</li> <li>• Small size and remote location might jeopardize potential market interest</li> </ul>

**f. P3DP PPP Potential Pilot Cities**

The pages following are the latest available update of the P3DP PPP Potential Pilot Cities tracker that the P3DP staff has deployed to manage its actual, planned and potential efforts with various municipalities with respect to potential PPP pilot projects and associated awareness and capacity-development activities.

## P3DP PPP Potential Pilot Cities

Project's name	Sector	City	Project Passport
E-ticket	Transport	Lviv	1. Restructure city routes for all means of transportation, easy traffic in center, priority for electro transport 2. Introduce E-ticket equipment 3. Conduct tender and bring a foreign operator/producer for E-ticket equipment/system/software. 4. Sign a 7Y+ PPP contract. 5. Have operational by Jun2012
Parking Management	Transport	Lviv	1. Bring all on-street parking under one roof in the municipal enterprise. 2. Establish a PPP with private operator, perhaps a BOT one. 3. Under a PPP have all necessary equipment installed in all parking spaces, have them painted-out. 4. Install proper system, potentially electronic one for enforcement and information on parking available
Waste treatment plant	Waste	Voznesensk	1. Collect waste from Voznesensk and surrounding villages, a total of 120K population. 2. Construct a waste sorting plant - 1st tier. 3. Construct a waste recycling plant with liquid fuel production - 2nd tier. 3. Have it all run under a PPP structure or with share participation of the private partner or operator.
Water treatment plant	Water	Cherkasy	1. Cherkasy does not have its own water treatment facilities 2. Main city's enterprise - Cherkasy Azot (located on Dnipro as the city is) has treatment facilities and is treating city's water 3. The latter is abusing the situation (charges much, may not pay on time, etc.), the city wants to have own treatment facilities 4. City wants new treatment facilities as PPP (or maybe existing ones? - but again, according to long-term contract to feel secure) 5. Political side is important, since Cherkasy Azot is part of Group DF, one of largest Ukrainian business groups, which is though interested in having

			good ecological reputation.
Heating district	Electricity, Heat	Poltava	<p>1. MHRP's contractor has done full energy audit of Poltava 2. MHRP's contractor ITCon is developing a "heating district" project concept, which will pull out one heating rayon of Poltava city and deliver ways how to raise energy efficiency and save heat 2. The idea is to bring a private party, which will form a JV with the communal enterprise and a PPP contract with city/oblast to install and run the project 3. Poltava oblast governor is interested in developing the project 4. The working group has been formed to deliver the concept of work.</p>
Water treatment plant	Water	Rivne	<p>1. Rivne pays much for water treatment, since water is transported far for treatment; part is treated by private facilities 2. PPP idea is to organize water treatment facilities closer to existing Vodokanal's facilities and save costs 3. Vodokanal's director is interested to do a PPP or a JV on the basis of the whole Vodokanal complex 4. However makes more sense to do a PPP just for water treatment 5. The project is pending, and we can get back to it later.</p>
Waste treatment plant	waste	Ternopil	<p>Mayor, having full support from Local Council, is interested to install the new landfill, since the old one is full. Clean City, P3DP and the City are interested to combine efforts to produce a PPP Pilot Project, where Clean City has already started its internal tender for a pre-feasibility stage. Veolia is already working in the city and is interested to get involved and bid.</p>
Waste treatment plant	Waste	Trostanets	<p>1. They currently have a simple dump that is viable for 2-3Y only 2. Trostanets is small, but larger city 100K Akhtyrka is close, so a cluster may be formed to collect all the waste and load the recycling enterprise 3. Would like methane to be producer 4. Does not see waste collection is supposed to be included, but might consider if forced to.</p>

Waste treatment plant	Waste	Zhytomyr	To be discussed at the meeting next week
District heating reform	Heat	Yuzhnoe	The idea is to change the structure of consumption of energy resources by city's heating station from gas to renewables
Waste treatment plant	Waste	Odessa	Just an idea of the city thus far
Thermal and fitness complex	Recreation	Evpatoriya	Construction of a recreational thermal complex which uses special sea mud, swimming pool, fitness center, tennis courts
Yacht marine	Recreation	Evpatoriya	Construction and development of a marine for yachts, sea ships and a service center
Heat reform	Heat	Teplodar	Energy savings
Waste treatment plant	Waste	Stakhanov	City council adopted the concept
Eco-city	Ethno	Lutsk	Construction of eco-city on the old airport
Waste treatment plant	Waste	Stryy	Construction of waste treatment enterprise to utilize newly generated waste from Stryy and potentially from surrounding areas. City council can offer lease 10ha of land for new landfill. Project sum estimated USD 5m. An option is to consider following cities as cluster - Stryy, Drogobych, Boryslav, Truskavets, Morshyn, Sambor.
Reform of Vodokanal	Water	Truskavets	Currently they have a private partner in the share capital since 2005. The private partner invested certain sum + promised not to demand raising tariffs for 10Y for getting 185hectares of land in Truskavets for its own business needs, so not really a PPP. No they have financial problems, need CAPEX to increase efficiency. Most likely they just require leverage, unless they want a PPP structure. Local deputies are very tough in supporting projects, like this - several good projects failed because of them so far.

Waste treatment plant	Waste	Mostyska	They have desire but no specific data was provided
Water treatment plant	Water	Yavoriv	Waste water facilities
Spring water complex	Recreation	Zhovkva	They have sources of healthy water which they want to use for recreational purposes in tourism
Water supply	Water	Boryslav	Increase of efficiency in water flow to consumers
Water supply	Water	Drogobych	Increase of efficiency in water flow to consumers, project might be united with Boryslav
Waste treatment plant	waste	Drogobych	Waste project unites 76 villages
Treatment of newly-generated waste	waste	Simferopol	ARC's budget has around 30Mio UAH for that and require an operator
Construction of a water collector	water	Simferopol	They city has Soviet-era leftovers of the collector, which was not finalized, they would like to understand if this is still a viable project to consider it for a PPP
Heat district reforming	Heat	Sevastopol	Co-generation in a heating district, project close to Poltava Pilot PPP, but envisages different technical approach. EBRD came to see facilities
Construction of housing underground communications	Infrastructure	Sevastopol	The project envisages construction of new communications for heat, water, electricity etc. for a number of new houses to-be-built, which are located close to each other. Construction company is ready to construct the house, but doesn't care of infrastructure, which is hard to build. One Kiev company promised to build, but wants to operate the whole system for certain time afterwards.
3-day sightseeing	Culture	Bakhchisarai	They have certain historical places of interest, which they want to put together into a 3-day tour, which might include certain lodging, recreation, perhaps parking etc.

Bike routes	Recreation	Evpatoriya	They want to take several blocks, which include most of the Sanatoriums and make it car-free zone for bikes mainly, so that a private partner provides most of the infrastructure and servicing and city provides routes
Bike sharing	Sports	Lviv	GIZ (German Development Agency) has developed a concept for Lviv in a bike sharing PPP. Lviv is busy with other subjects, but we will discuss the perspectives, since such PPPs successfully work in EU
Hospital	Healthcare	Zaporizhya	Mayor, local staff and some stakeholders are very interested to reform one of the Communal hospitals using the PPP. WG will be formed in the City, the PIB is being prepared in October 2011
Water supply	water	Pavlograd	Very strong mayor with excellent references and support of Dnipropetrovska oblast governor is very motivated to construct water supply, since people use water of bad quality at the moment, are interested to obtain quality water and pay high tariff, since the size of the city enables to have the tariff set locally, not by Regulator in Kiev.
Waste treatment plant	waste	Pavlograd	Mayor is interested to consider a number of PPP-type opportunities to treat newly-generated waste in city and construct certain waste treatment facilities. Is open for discussion, however Remondis, which works in the city, has no interest to participate due to small size of the city - 110 thousand people
Water and waste water treatment	water	Ivano-Frankivsk	German consulting firm for GIZ request is currently preparing the feasibility study for the city to have the Vodokanal reformed in a PPP type. We are not sure about city's plans next to completion of the feasibility stage. If they are interest P3DP might want to consider assisting in procurement stage if there is political will.

	water		City with 3000 permanent residents can host as many as total 15000 in high season, being a known tourist destination, requires water treatment facilities badly. They started some construction before 2008 and stopped due to economic recession. The pre-feasibility study is in place, local authorities are supportive. The question is whether the project is viable enough due to technical side and its small scale.
Construction of waste water facilities		Koktebel	

#### **g. PMP Tabulation**

The pages following include the latest Program Objective Indicators (POIs) in a PMP format as submitted to USAID. The actual data available for each POI and for each Data Collection entry for Year 1 are included under the header “2011 Actual.”

## P3DP Summary PMP Indicator Table

(DC x.x - denotes Data Collection only)

### Public-Private Partnership Development Program (P3DP) Summary PMP Indicator Table

(RED TEXT - illustrative disaggregations)

110922

USAID/Ukraine Program Areas supported: 2.2 Good Governance and 4.4 Infrastructure

Unique Indicator Number	Program Objective Indicator (POI)	Performance Indicators	Unit of Measure	Disaggregated by / Schedule for collection	Data Source & Implementing Partner(s)	Target 2011	2011 Actual	Target 2012	Target 2013	Target 2014	Target 2015	EOP
Goal: promote the use of public-private partnerships, with an expanded role of private sector finance and operational expertise in public infrastructure development, to improve infrastructure and public services in both urban and rural areas												
Objective 1: Promote a sound policy environment that fosters development of PPPs												
Expected Results												
<ul style="list-style-type: none"> <li>• PPP legislation is in line with the EU standards</li> <li>• PPP international best practices are applied by the GOU and other local stakeholders</li> <li>• Private sector more willing to finance infrastructure development</li> <li>• Private sector and local government more favorably disposed towards PPP possibilities and PPP legal framework</li> </ul>												
1	POI 1.1	# of consultations/meetings with stakeholders (local officials, businesses, etc.) conducted in the pilot regions	#	Quarterly	P3DP	20	13	20	20	20	20	
2	POI 1.2	# of actions implemented under PPP Strategy Implementation Plan	#	Quarterly	P3DP	N/A	N/A	TBD	TBD	TBD	TBD	
3	POI 1.3	# of policy reforms/regulations/administrative procedures drafted and presented for public/stakeholder consultations to enhance sector governance and/or facilitate private sector participation and competitive markets as a result of USG assistance (F 4.4.1-13)	#	Quarterly	P3DP	0	1	4	4	4	3	
4	POI 1.4	# of P3DP legal reforms (based in part on the GIDE review) that are submitted in final recommendation form to the relevant GOU (state) entity	#	Quarterly	P3DP	0	2	10	8	8	8	
Objective 2: Support the establishment of designated GOU PPP entities at the national level												
Expected Results												
<ul style="list-style-type: none"> <li>• The GOU PPP Unit(s) - Operational Policies developed</li> <li>• The GOU PPP Unit(s) - Organizational Form and Structure finalized</li> <li>• The GOU PPP Unit(s) - capacity to identify opportunities for and to deliver design or other support to PPP projects in Ukraine</li> </ul>												
5	POI 2.1	# of top level participants in familiarization study tours re: PPP Unit(s) implementation and operations	#	Male/female & public/private Quarterly	P3DP	30	24	30	30	30	30	
6	POI 2.2	# of drafted legislative acts/regulations specifying PPP Unit(s) activities	#	MOEDT/NPA Quarterly	P3DP	0	0	5	5	5	5	

7	POI 2.3	# of analytical documents related to PPP transaction design, implementation and monitoring drafted together with the PPP Unit(s)	#	MOEDT/NPA Quarterly	P3DP	2	2	5	5	5	2	
8	POI 2.4	# of desired Operational Policies drafted for the PPP Unit(s)	#	MOEDT/NPA Quarterly	P3DP	1	1	3	3	2	2	
9	POI 2.5	# of drafted Operational Policies and Procedures adopted by the PPP Unit(s)	#	MOEDT/NPA Quarterly	P3DP	1	0	2	2	2	1	
10	POI 2.6	# of events (meetings, consultations) held	#	Quarterly	P3DP	3	3	8	8	8	8	
11	POI 2.7	# project ideas submitted by public bodies (line ministries/municipalities) to the designated responsible GOU PPP entity (MOEDT/NPA)	#	MOEDT/NPA Quarterly	P3DP	0	0	3	8	10	10	
	DC 2.1	# of stakeholders (lawmakers, public officials) attending consultations, conferences annually re: regulatory operations/implementation of the designated responsible PPP GOU entity and PPP Strategy Implementation Plan or modification	#	Male/female & public/private Quarterly	P3DP	N/A	0	N/A	N/A	N/A	N/A	

\* These POIs are highly dependent upon actions by the GOU which are beyond the management control of P3DP

<b>Objective 3: Promote the benefits of PPPs to relevant stakeholders and build the capacity of local organizations</b> <b>Expected Results</b> • Increased awareness of PPP advantages, opportunities, and operational procedures and mechanisms • Increased capacity of selected organizations to develop and manage PPP-based projects												
12	POI 3.1	# of individual events held to promote PPP understanding	#	Quarterly	P3DP	6	0	24	22	5	5	
13	POI 3.2	# of persons attending major events held to promote PPP understanding	#	Male/female & public/private/NGO Quarterly	P3DP	150	0	650	600	200	200	
14	POI 3.3	# of targeted government trainees completing PPP training sessions during the reporting period	#	Male/female Quarterly	P3DP	50	0	300	130	120	120	
15	POI 3.4	# of targeted non-government trainees completing PPP training sessions during the reporting period	#	Male/female & private/NGO Quarterly	P3DP	30	0	100	50	50	50	
16	POI 3.5	# of individuals who received USG-assisted training, including management skills and fiscal management, to strengthen local government and/or decentralization (F - 2.2.3-1)	#	Male/female Quarterly	P3DP	30	0	300	80	50	50	
17	POI 3.6	# of sub-national government entities receiving USG assistance to improve their performance (F 2.2.3-5)	#	Quarterly	P3DP	4	0	20	20	20	20	
18	POI 3.7	# of mass media publications related to PPP projects and P3DP	#	Printed/electronic Quarterly	P3DP	5	2	50	60	10	10	
	DC 3.1	# of downloads/hits on the implementing partners webpages related to P3DP	#	Quarterly	P3DP	N/A	0	N/A	N/A	N/A	N/A	

Objective 4: Identify and develop pilot PPP transactions											
Expected Results											
• Assistance provided for PPP project preparation, financial closure, and implementation											
• The pipeline of the potential PPP projects created											
• At least 10 supported PPP projects implemented											
• Project-supported PPPs create additional jobs, improve infrastructure, and introduce greater transparency in procurement to target sectors											
• Project-supported PPPs demonstrate the advantages in reducing costs and increasing quality of services											
POI 4.1	# of potential PPP ideas in local municipalities identified by P3DP	#	Quarterly	P3DP	25	30	30	20	15	8	
POI 4.2	# of potential PPP initiatives identified and submitted by P3DP to USAID for consideration	#	Quarterly	P3DP	8	13	12	8	7	6	
POI 4.3	# of USAID-approved PPP initiatives approved for pursuit using P3DP resources	#	Quarterly	P3DP	6	2	8	5	4	2	
POI 4.4	# of PIBs prepared to a level sufficient for decision-making	#	Quarterly	P3DP	5	4	6	4	3	2	
POI 4.5	# of Feasibility Studies authorized to proceed	#	MOEDT/NPA Quarterly	PPP Unit(s)	1	0	4	3	2	2	
POI 4.6	# of potential new PPP initiatives pursued by PPP Unit(s) for further fostering	#	MOEDT/NPA Quarterly	PPP Unit(s)	0	0	2	3	3	4	
POI 4.7	# of actual PPP initiatives being actively fostered by PPP Unit(s)	#	MOEDT/NPA Quarterly	PPP Unit(s)	0	0	1	2	2	3	
DC 4.1	# of jobs directly created by implementation of PPP initiatives	#	Quarterly	P3DP	N/A	0	N/A	N/A	N/A	N/A	
DC 4.2	\$ equivalent value (estimated full term) of stakeholders’ investment in USAID-approved PPP initiatives being proposed to the PPP Unit(s) by the P3DP project	\$	Public/Private/IOs Quarterly	P3DP	N/A	0	N/A	N/A	N/A	N/A	

